

Message Text

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ACTION ARA-14

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SUBJECT: IMPLEMENTATION PLANNING - PROVISION OF PUBLIC SERVICES

1. PURSUANT TO VARIOUS TELECONS, EMBASSY HAS DISCUSSED
PROVISION OF PUBLIC SERVICES BY GOP IN CANAL OPERATING AND
HOUSING AREAS PURSUANT TO ARTICLE III.5 OF CANAL TREATY WITH
TREATY IMPLEMENTATION PLANNERS IN GOP MINISTRY OF
PLANNING AND ECONOMIC POLICY. THIS GROUP PROVIDED US TODAY
WITH FOLLOWING PRELIMINARY PLANNING ESTIMATES OF COSTS TO GOP
FOR PROVISION OF SERVICES ENUMERATED IN THAT ARTICLE; THIS
DOCUMENT (COPY POUCHED ARA/PAN - CAMAUR) IS QUOTED BELOW IN
FULL IN INFORMAL EMBASSY TRANSLATION.

BEGIN UNCLASSIFIED.

2. QUOTE:
ESTIMATE OF COSTS FOR PROVISION OF PUBLIC SERVICES
(FOOTNOTE 1) BY THE REPUBLIC OF PANAMA IN AREAS FOR
THE OPERATION OF THE CANAL AND HOUSING AREAS
(FOOTNOTE 2)

	COST (IN MILLIONS)
POLICE	5.0
FIRE PROTECTION	1.5
STREET MAINTENANCE	0.9

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STREET LIGHTING	0.5
STREET CLEANING	0.3
TRAFFIC CONTROL	0.1
GARBAGE COLLECTION	0.9
ADMINISTRATION (OVERHEAD)	1.0
TOTAL	10.2

(FOOTNOTE 1) SEE ARTICLE III PARAGRAPH 5 OF THE
"PANAMA CANAL TREATY".

(FOOTNOTE 2) SEE "AGREEMENT IN IMPLEMENTATION OF ARTICLE
III OF THE PANAMA CANAL TREATY". ARTICLE III PARAGRAPHS
1 AND 2; ANNEX A AND CONSULT MAP ANNEXES.

GENERAL CONSIDERATIONS

1. THE COST OF POLICE SERVICE HAS BEEN CALCULATED
TAKING INTO ACCOUNT THE NEED TO PROVIDE HIGHER SALARIES
THAN THE AVERAGE CURRENTLY PAID IN THE NATIONAL GUARD,
DUE TO THE REQUIREMENTS OF EDUCATIONAL PREPARATION,
KNOWLEDGE OF TWO LANGUAGES, TRAINING AND EQUIPMENT
REQUIRED.

2. IN THE CASES OF THE OTHER ACTIVITIES WHICH
REVERT TO PANAMA AND IN WHICH THE MAJORITY OF EMPLOYEES
ARE PANAMANIAN THE POLICY IS THAT OF MAINTAINING
CURRENT SALARY LEVELS.

3. SINCE THE PROVISION OF ALL OF THOSE SERVICES
WHICH REVERT TO PANAMA WILL NECESSITATE THE ACQUISITION,
OUTFITTING OR CONSTRUCTION OF THE PHYSICAL FACILITIES
AND THE ACQUISITION OF CORRESPONDING EQUIPMENT AT
PANAMANIAN PRICES, THE CALCULATED COSTS ALSO CONSIDER
RESERVES FOR THE REPLACEMENT OF ASSETS.

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4. THE COSTS OF STREET LIGHTING ARE CALCULATED IN
CONFORMITY WITH CURRENT RATES IN THE REPUBLIC
OF PANAMA.

5. THE COSTS OF ADMINISTRATION FOR THE PROVISION
OF THE SERVICES WHICH REVERT ARE CONSIDERED A PART
OF THE COST OF THE SAME (SERVICES). END QUOTE.

3. IN DISCUSSION OF FOREGOING PAPER, PLANNING MINISTRY
OFFICIALS EMPHASIZED THAT THEIR PLANNING CONCEPT
INCLUDED PANAMA'S ACCEPTANCE OF OBLIGATION FOR PROVISION
OF ALL ENUMERATED SERVICES WITH NO DEROGATION IN QUALITY.
DESPITE FACT THAT THIS PRELIMINARY ESTIMATE SLIGHTLY
EXCEEDS THE \$10-MILLION PROVIDED IN ARTICLE III.5
OF TREATY, THEIR EXPECTATION WAS THAT THIS COULD
ULTIMATELY BE ACCOMPLISHED WITHIN THE \$10-MILLION
FIGURE WHICH WILL APPLY FOR THE FIRST THREE YEARS.
IN THE EVENT COSTS TO PANAMA EXCEEDED THIS FIGURE,
HOWEVER, THEIR PLANNING CONCEPT PROVIDES THAT SUCH
ADDITIONAL COSTS WOULD BE COVERED BY THE GOVERNMENT
OF PANAMA. END UNCLASSIFIED

4. OFFICIALS PREPARING THESE FIGURES WERE AWARE THAT DEPARTMENT MIGHT WISH TO PROVIDE THEM TO CONGRESS FOR USE IN DEBATE ON TREATIES, BUT STRESSED THAT THEY SHOULD BE CONSIDERED AND DESCRIBED AS PRELIMINARY AND INFORMAL PLANNING ESTIMATES FOR THE INITIAL THREE-YEAR PERIOD, RATHER THAN RIGOROUS COST ANALYSES, WHICH WOULD BE PREPARED FOR ANNUAL BUDGETARY PURPOSES AT A LATER STAGE WHEN GOP PLANNING PROCESS IS FURTHER ADVANCED.

5. COMMENT: AS DISCUSSED WITH DEPARTMENT GOP OFFICIALS WERE AWARE PRIOR TO PROVIDING US WITH THESE ESTIMATES OF THE LOWER TOTAL ESTIMATE PREPARED BY PANAMA CANAL COMPANY/GOVERNMENT AND OF LIMITED OFFICIAL USE

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BREAKDOWN OF ITEMS WITHIN LATTER ESTIMATE. PCC/CZG ORGANIZATIONAL BUDGET ESTIMATES INCLUDE COSTS OF DIRECT SERVICES TO THE OPERATING UNITS IN QUESTION (E.G. POLICE) BY OTHER OPERATING UNITS OF THE COMPANY/GOVERNMENT (E.G. MAINTENANCE DIVISION), BUT DO NOT NORMALLY INCLUDE ANY CHARGE FOR GENERAL COMPANY/GOVERNMENT ADMINISTRATIVE OVERHEAD. WHEN COSTS OF SUCH SERVICES ARE BILLED TO NON-PCC/CZG CUSTOMERS, INCLUDING OTHER USG AGENCIES, HOWEVER, PCC/CZG PRACTICE IS TO ADD A SURCHARGE OF 21-26 PERCENT FOR ITS AGENCY GENERAL ADMINISTRATIVE OVERHEAD. GOP ESTIMATE FOR ITS ADMINISTRATIVE OVERHEAD COST IS THEREFORE LESS THAN THE USUAL PCC/CZG SURCHARGE OF THIS PURPOSE.

6. ADVISE IF FURTHER INFORMATION REQUIRED.
JORDEN

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